

Health Subcommittee Hearing on Medicare Advantage September 21, 2012

Chairman Herger Opening Statement

Today we will hear testimony regarding the current role of Medicare health plans, and look to the future of how these plans can continue to effectively serve Medicare beneficiaries.

Medicare has allowed private health care plans to deliver care to beneficiaries since the 1970s. Significant and numerous changes have been made to these plans over the years, some good and some bad, causing enrollment to fluctuate dramatically.

Through all of the changes over the last thirty years, one thing has been abundantly clear: a significant number of beneficiaries prefer to

receive their Medicare benefits from a private health plan.

Today, one-in-four Medicare beneficiaries have chosen a Medicare Advantage plan over the traditional program. Yet, many of these beneficiaries will lose access to the plans they have and like because of ObamaCare's \$300 billion in cuts to Medicare Advantage over the next decade.

In fact, in their original report on the law, the independent Medicare Actuaries reported that Medicare Advantage enrollment will be cut in half because of these cuts. And the non-partisan Congressional Budget Office reported that beneficiaries who remain in Medicare Advantage will lose \$816 per year worth of additional benefits or increased cost-sharing in 2019. Clearly the cuts in ObamaCare will significantly and negatively impact seniors.

In light of Wednesday's claims by the Obama Administration that Medicare Advantage is stronger than ever, it's important to keep in mind that less than four percent of these cuts have been enacted so far. Even more alarming, in what appears to be an attempt by the Obama Administration to mask the impact of the cuts before the election, CMS abused its demonstration authority to unilaterally increase payments to Medicare Advantage over the next three years. This \$8.3 billion demonstration program restored 70 percent of the funding that would have been cut from Medicare Advantage under the Democrats' health care law this year, according to the Government Accountability Office.

Clearly, beneficiaries and health plans have not seen the full impact of these cuts. Yet, millions

of seniors will be forced out of the plans they have and like once they are fully implemented.

We will also hear from two unique types of Medicare health plans: Special Needs Plans and Cost Plans.

Special Needs Plans are targeted to some of the sickest and most-difficult-to-reach Medicare beneficiaries: those dually-eligible for Medicare and Medicaid; those with chronic conditions; and those who are certified as being eligible for institutional care.

GAO recently examined Special Needs Plans for dual eligibles and found that these plans offered better care coordination and greater involvement of community resources than either standard Medicare Advantage plans or traditional Medicare. But GAO also found wide variety in what these plans submitted to CMS

and called for greater oversight by the agency to ensure these benefits are delivered.

These are important details to consider – how do we ensure that these vulnerable beneficiaries are receiving the high-quality care to which they are entitled, in the most effective manner. The authority for Special Needs Plans to continue serving vulnerable populations expires at the end of next year. As this Committee considers whether or not to extend authorization of this program, and how, testimony from today's witnesses will be valuable.

We will also hear testimony relating to Medicare Cost Plans, a type of Medicare plan that has served beneficiaries since the 1970s.

As part of the Medicare Modernization Act in 2003, Cost Plans were required to withdraw from a service area if there were at least two

Medicare Advantage plans in the same area. This “two plan” test has been extended several times, most recently as part of the Democrats’ health law. Unless Congress acts, the two-plan test will go into effect next year, with affected Cost Plans being forced to withdraw in 2014.

We must carefully examine the impact that changes to Medicare health plans will have on beneficiaries in these plans and the value these plans bring to beneficiaries, Medicare, and ultimately to taxpayers.

I want to thank all of our witnesses for their expert testimony today.

Today we heard a detailed discussion of the future of health plans in Medicare. Clearly, significant changes are coming to the Medicare Advantage program, and seniors are right to be

concerned about what will happen to the health plan they have and like.

As I conclude this hearing, likely my final one as a member of this Committee, I would like to highlight that this Subcommittee has some of the most challenging issues before it. I want to thank my colleagues for their thoughtful, and often spirited, discussion of those issues. We have debated these issues honestly and thoroughly, and have laid down the groundwork to address the issues important to the millions of current Medicare beneficiaries and those joining the program in the future.

I want to say it has been an honor and a privilege to work with all of my colleagues, and a blessing to represent my Northern California constituents. The work that we do is critical to maintaining a vibrant and thriving nation, and I have been proud to be part of it.

